

LOCAL USAGE CHARGES IN THE TEN LARGEST STUDY AREAS

A	B	C	D
STUDY AREA	Charge to PSP for 3-Minute Local Call	1000s of Presubscribed Lines	Weighted Local Per-Call Charge (Col. B x Col. C)
PacBell-CA	0.0133	15,596	207.43
NYNEX-NY	0.0580	10,251	594.56
SWB-TX	0.0000	8,197	0
Amer.-IL	0.0455	6,124	278.64
BellSouth-FL	0.0000	5,527	0
Bell Atlantic-NJ	0.0650	5,466	355.29
Bell Atlantic-PA	0.0490	5,453	267.2
NYNEX-MA	0.0500	4,085	204.25
Ameritech-OH	0.0800	3,708	296.64
BellSouth-GA	0.0000	3,513	0
Total of 10 Study Areas	--	67,920	2,204
Weighted Average of 10 Study Areas (Total of Col. D/Total of Col. C)			
	0.0324		

NOTES RE CHART OF LOCAL USAGE CHARGES

Based on data submitted in various state proceedings, APCC estimates that the average local coin call duration does not exceed three minutes. Therefore, charges for a three-minute call were computed based on the LEC payphone line tariff governing each study area. In some cases, assumptions were made in order to compute a composite usage charge, as discussed below. A weighted average of each study area's local usage charge was then computed by multiplying each charge by the number of presubscribed lines in the study area (Column B x Column C), summing the results, and dividing the total by the total presubscribed lines.

1. Pacific Bell applies a flat rate (no local usage charge) to its "coin line" service. APCC estimates that about 70% of Pacific Bell's non-inmate payphone lines are "coin lines" and 30% are COCOT lines. For COCOT service, Pacific Bell applies a measured local usage rate that varies based on time of day. The rates are:

daytime	\$.0553 per call (.0385 1st min. + .0084 2nd min. + .0084 3d min.)
evening	\$.0418 per call (.0300 1st min. + .0059 2nd min. + .0059 3d min.)
night/wknd	\$.0280 per call (.0214 1st min. + .0033 2nd min. + .0033 3d min.)

These varying time-of-day rates were combined into a composite COCOT of \$.0444 per call based on an assumed distribution of local coin calls - 50% day, 20% evening, 30% night/weekend. The COCOT line composite rate was then combined with the coin line rate of zero to yield a COCOT/coin line composite rate of \$.0133 per call.

2. NYNEX-NY charges the following local usage rate for the first 3 minutes:

daytime	\$.08
evening	\$.048
night/wknd	\$.028

These time-of-day rates were combined into a composite rate of \$.058 per call based on the same assumed 50%-20%-30% distribution.

3. Southwestern Bell-TX offers flat rate service - i.e., with no local usage charge.
4. Ameritech-IL applies different local usage charges based on time-of-day and areas of origination. The following per-call rates are based on a 3-minute call.

Area A (e.g., City of Chicago)	day	.0276
	evening	.0248
	night/wknd	.0165

Area B (e.g., near suburbs)	day	.0586
	evening	.0527
	night/wknd	.0351
Area C (e.g., far suburbs)	day	.0810
	evening	.0729
	night/wknd	.0487

A composite local usage rate of \$.0455 per call was developed based on the assumed 50%-20%-30% time-of-day distribution and based on the assumption that 50% of payphones are in Area A, 25% are in Area B, and 25% are in Area C.

5. BellSouth-FL offers flat-rate service - i.e., with no local usage charge.
6. Bell Atlantic-NJ applies a local usage rate of \$.065 per call.
7. Bell Atlantic-PA applies a local usage rate of \$.07 per call - peak and \$.028 per call - off-peak. A composite local usage rate of \$.049 per call is based on an assumed distribution of 70% peak and 30% off-peak.
8. NYNEX-MA applies variable local usage rate that yields a composite rate of \$.05 based on the assumptions above.
9. Ameritech-OH applies a local usage rate of \$.08 per call.
10. BellSouth-GA offers flat-rate service - i.e., with no local usage charge.

ATTACHMENT 3

Weighted Average of Cost and Call Volume
Data from 46 Payphone Companies

Survey of Cost Data From 46 Independent Payphone Providers

Prepared

By

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Overview: The American Public Communications Council (APCC) requested that I review and analyze cost data submitted by 46 independent payphone providers (IPPs) and compile this data for use in the instant proceeding before the FCC. The survey results contain the total number of phones operated by the 46 IPPs, the total net plant and equipment, the total number of calls, and the total annual expenses broken down into six categories (phone charges, location commissions, other direct expenses, SG&A expenses, interest expense and bank fees, and depreciation). Financial and call volume data was taken from the most recent historical information submitted, which was generally the year ending December 31, 1996. However, in some instances 1995 information was used when more recent information was not available. In one instance 1997 information was used as it was the most recent information available. Data is presented in total for all 46 IPPs and on a per phone and per phone per month basis in aggregate for all 46 IPPs. To arrive at the cost per call, total expenses plus a return on investment and taxes was divided by the total number of calls.

Expense, investment, and call volume data was submitted by both publicly held and privately owned independent payphone providers, which represent a total of 95,323 payphones. Although the data is unaudited, it was reviewed for consistency and reasonableness, and in many instances, was supported and verified with federal income tax returns submitted to the Internal Revenue Service. In some instances, it was necessary to make assumptions where the data submitted was insufficient or appeared inaccurate, or it was necessary to accommodate the process, i.e., a uniform cost of capital was used for all companies. The assumptions are described below.

Call Volumes: Actual call volume data was used for those companies which submitted actual call volume data. For IPPs which did not submit call volumes or where the information submitted appeared questionable, a surrogate of 705 calls per month per phone was used. This figure was then multiplied by the number of phones and 12 months to determine the total number of calls per year. The surrogate of 705 calls per month per phone was obtained from a survey of SMDR data submitted to and compiled by the APCC, adjusted for missing January 1996 data. The APCC gathered monthly SMDR data from 23 companies that collectively operate more than 100,000 phones. In this survey monthly data was gathered from more than 4,000 payphones in 32 states for the months of February through December 1996. The payphones surveyed are located at a wide variety of locations including hotels, motels, convenience stores, gas stations, restaurants, business

¹ Acadian Consulting Group provides financial and economic consulting services to regulatory agencies and private industry throughout the United States. Principles of the firm have been involved in over 170 regulatory proceedings involving telephone, electric, gas, and water and wastewater utilities.

districts, shopping malls, apartment buildings, truck stops and casinos. January calls were estimated by taking the number of calls per phone for February of 584, dividing by 29 days to yield 20.138 calls per day. This figure was then multiplied by 31 days in January to arrive at 624 calls per phone for the month of January. The monthly data was summed and divided by 12 to yield an average of 705 calls per phone per month.

Rate of Return/Cost of Capital: For purposes of this cost analysis, a uniform rate of return (cost of capital) was developed to apply to the investment of each payphone provider. The rate of return was developed using a capital structure consisting of 75% equity 25% debt. This capital structure was developed by examining the capital structure ratios of all non Bell Operating Company Tier I local exchange carriers for the year-ending 1996. The average capital structure for these companies consisted of 63.35% equity and 36.62% debt. In addition, the capital structure of MCI was examined which in 1996 consisted of 69% equity and 31% debt and in 1995 consisted of 74% equity and 26% debt. A capital structure of 75% equity and 25% debt was should be considered reasonable considering the much greater level of risk of a payphone provider relative to a LEC or MCI. While this capital structure differs from the actual capital structure of most payphone providers, it is appropriate for use in this context because it represents how a healthy payphone provider would be financed given the inherent risks of this business. A cost of equity of 13% was used, which is considered conservative given the cost of equity which has been authorized by state commissions for LECs. A cost of debt of 12.5% was used, which is based upon the range of debt costs paid by IPPs. These capital structures and cost rates result in a pre-tax cost of capital of 18.67%. For comparative purposes the after tax cost of capital is 12.875%, which is conservative when compared to the FCC's approved cost of capital for LECs of 11.25%.

Net Investment: Actual net investment was used for those companies which submitted this information. If an IPP did not submit actual net investment information, an average of all other companies was used, eliminating from the average, two companies whose data was higher than a typical company. Net investment generally includes property, plant and equipment, less accumulated depreciation.

Survey Results All Companies Weighted Average				
	Total	Per Phone	Per Phone Per Month	
1) Number of Phones	95,323			
2) Fixed Assets				
a) Net Plant and Equipment	\$ 233,237,184	\$ 2,447		
3) Total Number of Calls	787,577,159 (1)	8,262	689	
4) Expenses (Total Expenses for the Year)				
a) Phone Charges	\$ 73,117,479	\$ 767	\$ 64	
b) Payroll/Payroll Taxes/Fees	\$ 5,494,838	\$ 58	\$ 5	
b) Location Commissions	\$ 51,268,939	\$ 538	\$ 45	
c) Other Direct Expenses	\$ 52,877,608	\$ 555	\$ 46	
d) SG&A	\$ 32,641,229	\$ 342	\$ 29	
e) Interest Expense/Bank Fees	\$ 22,702,728	\$ 238	\$ 20	
f) Depreciation Expenses	\$ 44,112,185	\$ 463	\$ 39	
g) Total	\$ 276,720,168	\$ 2,903	\$ 242	
5) Total Expenses Per Call	\$ 0.35			
6) Net Investment Per Phone	\$ 2,447 (2)			
7) Total Net Investment	\$ 233,237,184			
8) Rate of Return plus Taxes	18.67% (3)			
9) Return on Investment plus Taxes	\$ 43,546,037			
10) Expenses Plus Return and Taxes	\$ 320,266,205 (4)			
11) Total Cost Per Call	\$ 0.41			
(1) Call volumes were based upon actual data submitted by each IPP. Where call volume data was not available, an estimate of 705 calls per phone per month was used. This figure was obtained from the SMDR survey conducted by the APCC of 23 companies operating in 32 states, adjusted to estimate January call volumes based upon February volumes adjusted for the difference in the number of days in the month.				
(2) Net Investment per phone was estimated for companies which did not provide this information. The estimate was based upon the net investment per phone of all other companies, excluding two outliers.				
(3) The rate of return was based upon a capital structure of 75% equity and 25% debt with a cost of equity of 13% and a cost of debt of 7.5%.				
(4) Interest Expense has been included in the total expenses plus return amount. It is unclear if interest included on line 4(e) includes interest associated with long-term debt used to finance plant and equipment. If interest expense from line 4(e) is removed from total expenses plus a return and taxes, the cost per call would be \$0.38.				

ATTACHMENT 4

Results of APCC's 1996
Survey of Payphone Call Volumes

The Numbers *are in...*

APCC's SMDR Project provides telling statistics on payphone calls

How many calls are made from an average payphone each month? How many of them are coin? How many are non-coin? How many are dial-around? Which interexchange carriers (IXCs) get the most calls from payphones? Independent public payphone (IPP) providers can answer these questions about their own phones, but industry-wide statistics haven't been available until just recently. Now, providers can compare their own information with industry-wide numbers, and the American Public Communications Council Inc. (APCC) can use the statistics for legal, legislative and regulatory purposes.

In fact, the APCC is where this numbers project all began. When the association was working before the Federal Communications Commission (FCC) to develop regulations for implementing the payphone provisions of the Telecom Act, it needed data to accurately demonstrate call traffic patterns from IPPs. The association developed a sample group that would accurately reflect all the IPPs in the United States (local exchange

carrier [LEC] payphones are not included). Currently, 23 companies that operate more than 100,000 phones are participating in what is known as the SMDR Project (station message detail reports). These companies are submitting monthly call data from 4,400 payphones in 32 states. They're tracking and reporting information on completed call counts and duration. The APCC defined a completed call for this project by setting an acceptable duration for each type of non-coin call. The payphones are at a wide variety of locations, including hotels, motels, convenience stores, gas stations, restaurants, business districts, shopping malls, apartment buildings, truck stops and casinos.

by Gregory V. Haledjian

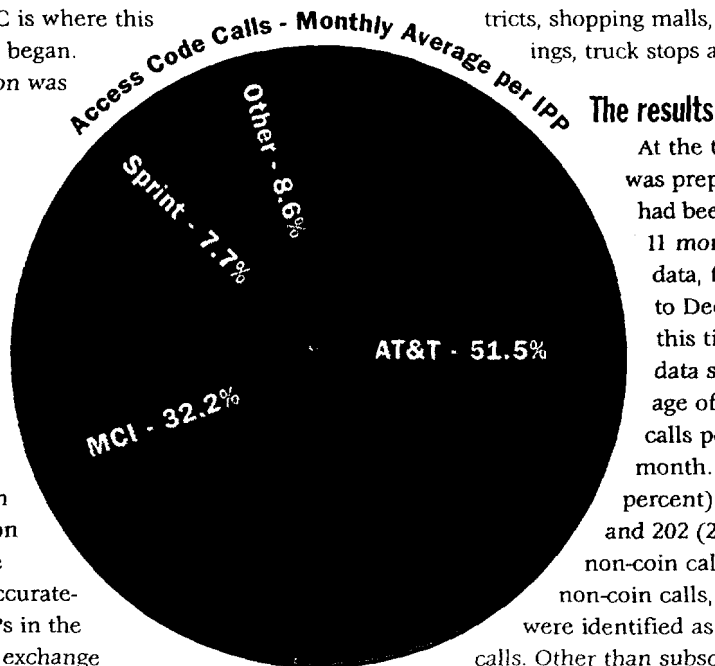
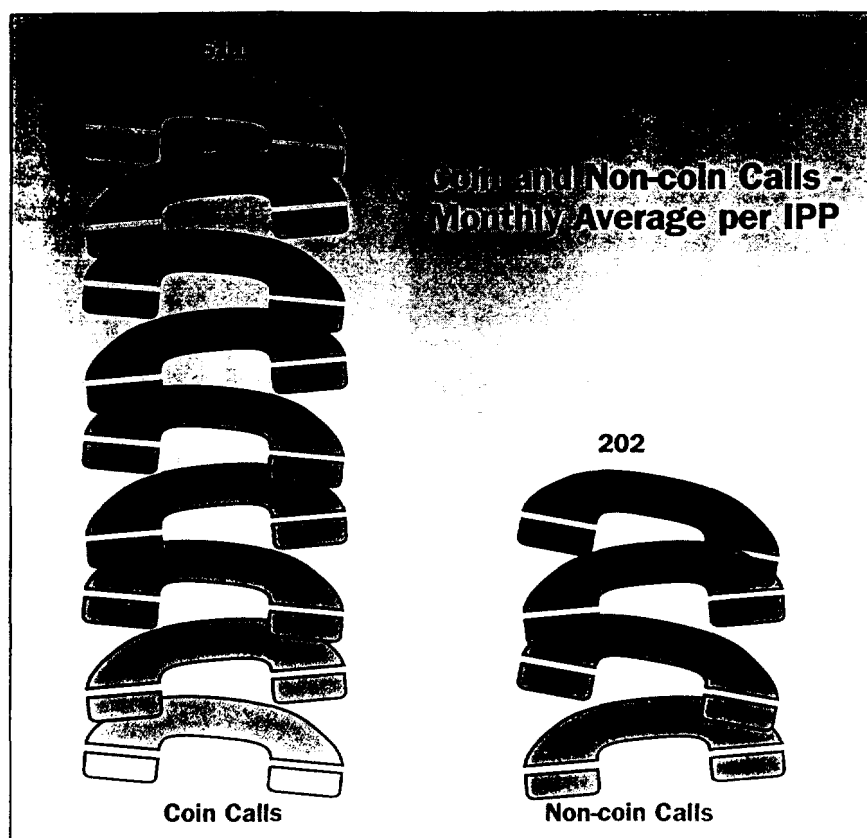


Figure 1

The results

At the time this article was prepared, the APCC had been able to crunch 11 months' worth of data, from February to December 1996. In this time period, the data showed an average of 713 completed calls per payphone per month. Of these, 511 (72 percent) were coin calls, and 202 (28 percent) were non-coin calls. Of the 202 non-coin calls, 39 (19 percent) were identified as access code calls. Other than subscriber 800 calls,



the rest of the non-coin calls broke down as follows: 24 (12 percent) were 0+ calls, 10 (5 percent) were 0- calls, 5 (2 percent) could be positively identified as prepaid card calls, 2 (1 percent) were 00- calls, 12 (6 percent) were 411 calls, and 2 (1 percent) were 555 calls. The remainder of the non-coin calls, which totaled 108 (53 percent), appear to be subscriber 800 calls.

Of the 39 access code calls per month, AT&T received 20.1 calls (51.5 percent), MCI received 12.6 calls (32.2 percent), Sprint received 3 calls (7.7 percent), and the remaining carriers received a total of 3.3 calls (8.6 percent).

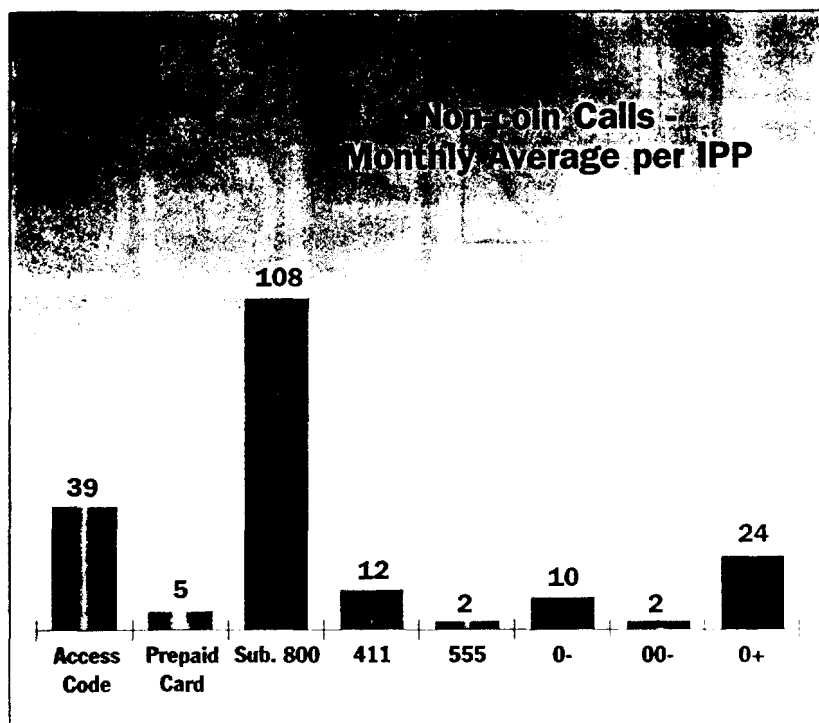
This of course brings us to dial-around compensation. The 1996 data showed an average of 152 dial-around calls per payphone per month: 108 (71 percent) were subscriber 800 calls, 39 (26 percent) were access code calls, and 5 (3 percent) were prepaid card calls. (To prevent any confusion, we

Dial-around Stats - Monthly Average per IPP*

Call Counts	1996	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Access Code Calls		31	40	38	44	39	46	49	35	39	38	32
Prepaid Card Calls		3	3	3	3	4	7	7	6	6	5	4
Subscriber 800 Calls		75	98	96	102	107	111	122	103	130	126	119
411		10	11	11	13	15	14	12	14	12	10	11
555		1	2	2	1	2	2	2	2	3	2	2
0-		11	10	10	11	12	13	11	9	8	7	7
00-		1	1	1	1	2	2	2	2	3	2	2
0+		29	31	26	27	25	25	28	20	19	18	16
Non-coin Calls Total		161	196	188	203	205	219	233	191	219	210	195
Coin Calls Total		423	505	468	535	536	556	544	526	524	494	509
Coin & Non-coin Total		584	701	656	738	742	775	777	716	744	704	703

Call Percentages	1996	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Access Code Calls		20%	20%	20%	21%	19%	21%	21%	18%	18%	18%	17%
Prepaid Card Calls		2%	2%	2%	2%	2%	3%	3%	3%	3%	3%	2%
Subscriber 800 Calls		37%	39%	38%	40%	42%	41%	43%	38%	39%	40%	39%
411		6%	6%	6%	6%	7%	6%	5%	7%	6%	5%	6%
555		1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
0-		7%	5%	6%	6%	6%	6%	5%	5%	4%	4%	4%
00-		1%	0%	1%	1%	1%	1%	1%	1%	1%	1%	1%
0+		18%	16%	14%	13%	12%	11%	12%	11%	9%	9%	8%
Non-coin Calls Total		38%	28%	29%	27%	28%	28%	30%	27%	29%	30%	28%
Coin Calls Total		72%	72%	71%	73%	72%	72%	70%	73%	71%	70%	72%

* Due to rounding, the totals in this table may not be exact.



should note that the APCC had previously submitted dial-around data to the FCC that showed a total of 142 dial-around calls per month: 99 [70 percent] were subscriber 800 calls, 40 [28 percent] were access code calls, and 3 [2 percent] were prepaid card calls. These stats were based on three months' worth of data; the current results are from 11 months' worth of data.)

A few trends

The 1996 data also revealed what many of you already knew: coin-sent paid is the predominant type of call made from payphones, representing 72 percent of all calls. Concerning non-coin calls, subscriber 800 is the most prevalent call type. In fact, this category increased from 47 percent of all non-coin calls in February to 61 percent of all non-coin calls in December. Access code calls declined slightly throughout the year: 20 percent in February, a high of 21 percent in May, July and August, and a low of 17 percent in December.


Regarding other types of non-coin calls, directory assistance calls remained consistent during 1996. As for operator-assisted calls, 0- calls

declined slightly during the year: from 7 percent in February to 4 percent in December. The 00- calls remained relatively flat (at 1 percent), while 0+ calls decreased dramatically, from 18 percent in February to 8 percent in December.

Which IXCs are getting these non-coin calls? The top seven carriers receive 97.4 percent of all access code calls. This group consists of AT&T, MCI, Sprint, LDDS WorldCom, Frontier, LCI and Excel. Figure 1 shows the percentage breakdown by IXC.

Clearly, this new data justifies the level of dial-around compensation that was set in the FCC's Payphone Order. It also substantiates the move to per-call compensation, and verifies a few other trends we had suspected but had not been able to quantify. The APCC will continue to gather this information for use in its legal, legislative and regulatory efforts. If you'd like to participate or if you'd like more information about the project, please call me at (703) 385-5300, ext 225. ■

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ATTACHMENT 5

**ARTICLE:
THE PRICE OF COMPENSATION:
IXCs PASS ON PAYPHONE PAYMENT**



The Price of Compensation

IXCs Pass On Payphone Payment



a grocery store was told it had to pay its employees several times more than it had previously, one would expect to see the amount of the raises reflected in the cost of bread, milk, produce and other items.

It's a simple business model: The amount of money coming in has to at least equal the amount going out.

Well, that's exactly where the interexchange carriers (IXC) are as their number crunchers contemplate how to account for the hundreds of millions of dollars they are now paying payphone service providers (PSPs) under terms expressed in the Federal Communications Commission's (FCC's) Order regarding payphone compensation. AT&T, which stands to pay the most, on April 30 announced its plans for recouping compensation. Beginning May 1, AT&T increased the prices for interstate toll-free services by 7 percent and prices for business international and interstate outbound services by 2 percent.

"While payphone owners should be fairly compensated for the cost of providing coinless calls, we believe the compensation levels set by the FCC are unreasonably high, which is why we're challenging them in court," Ken Sichau, AT&T vice president for business network services, said in making the announcement.

AT&T isn't alone in this regard. Eight of the 22 IXCs—those with revenues of at least \$100 million—ordered to pay the PSPs spent the middle of May in Washington testifying before the U.S. Court of Appeals with the hope of getting the compensation order reduced. A ruling could come down sometime this summer, but for now, the Order is in effect, and the IXCs will have to find ways to pay up.

"All the long distance companies are going to be incurring a huge, new expense," says Jeff Kagan, an industry consultant and president of Kagan Telecom Associates. "Now, when any business passes on a huge, new expense to the cost of providing the service, the price of the service goes up."

For AT&T, that expense is really huge. Of the \$45.85 per phone per month that the IXCs must dole out to the PSPs, AT&T is responsible for \$26.21. (The rest of the carriers fall in line proportionate to their share of the interexchange market.) AT&T expects local telephone companies to begin billing it and other long distance companies for the approximately 1.8 million payphones the local companies operate. Add in the estimate of 400,000 privately owned payphones already figured into the order; multiply that number by the \$26.21; and you can envision AT&T's monthly payphone bill.

But as much as AT&T is attempting to recover the money it is paying to the payphone providers, Kagan believes the company is making a statement. "AT&T is choosing to make a stand," Kagan says. "If they were accepting this as the cost of doing business, they would be working it in as transparently as possible. But they're not doing that. They are saying, 'We don't think this is fair, and we're going to make a stand here, and we're going to make it as visible as possible.'" Like AT&T, Sprint recently raised some of its rates "largely to compensate for the Order," according to Larry McDonald, Sprint's manager of national media relations. In April, Sprint levied an increase of just less than 5 percent for a range of products that include business toll-free, 800- and 888-related services. "It's not something that's necessarily sudden, but it is something that needed to be developed rather quickly because, frankly, the order didn't give us a great amount of flexibility in terms of time. It was a plan that was developed quickly and implemented to offset this extremely large surcharge."

MCI, on the other hand, hasn't addressed its rates, rather putting its energy into the appeal, according to the Michael Lewis, a spokesman for

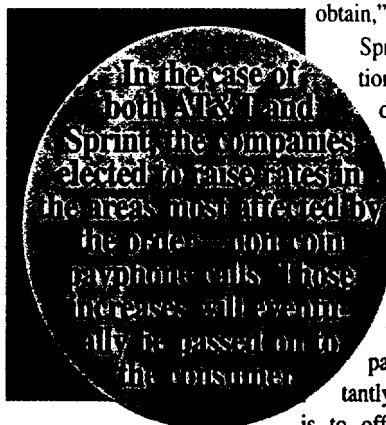
the company. "We're just putting more effort into seeing if we can stop this thing," he says. "I can tell you that we estimate we will have to pay \$100 million a year in compensation. I'm sure AT&T is double, triple, even more. So you can sort of understand why they would want to do (raise prices) in order to compensate for their costs."

In the same press release that AT&T announced its rate increases, the company also pledged to roll back those increases should the Court of Appeals take some action against the compensation order. "We're on record as saying if we receive relief from this order, we'll return to our customers any measure of relief that we obtain," Cuno says.

Sprint's McDonald says speculation about what his company might do with its rate increases down the road would be inappropriate because it would be based on yet more speculation. "That is such a wildly hypothetical issue that it's hard to come up with a hypothetical answer," he says. "We passed this (rate increase) reluctantly. This is not a profit for us. This is to offset a charge, and this is an extremely competitive market."

The fact that AT&T, Sprint and others are increasing prices at all should surprise few. When the compensation order was announced last September, independent payphone providers celebrated what they believed was the end of years of inequity. Prior to the order, payphone providers had received just \$6 per phone per month. The increase to \$45.85 represents a jump of 764 percent in IXC payout. Almost immediately, AT&T began planning how it was going to account for that hefty expenditure.

"When the order was implemented, the first thing we did was seek a rehearing, which was denied," says Cuno of AT&T. "And we have filed suit against the order, and the case is being heard now. Our hope all along was that the order would not be implemented the way it has



been, because we don't feel it's appropriate. We knew that if it was implemented, we were going to have to recover this money. In effect, we were being taxed, and we have to recover that money from somewhere."

In the case of both AT&T and Sprint, the companies elected to raise rates in the areas most affected by the order—non-coin payphone calls. Those increases will eventually be passed on to the consumer. "The issue is simple, the solution is hard," Kagan says. "The issue is the phones themselves are expensive to keep up, and part of the cost of upkeep is when the customer pops a quarter in, he pays for the use of the phone."

However, when the consumer makes a collect call, a toll-free call or a debit card call, he really is not paying directly for use of the phone. That's the whole impetus behind the order. The FCC based its \$45.85 on an estimate of 131 non-coin payphone calls per month at a rate of 35 cents per call. For now, the IXC's know exactly how much they have to pay each month. However, come Oct. 7, that amount may very well change when per-call compensation kicks in. IXC's still will be expected to pay 35 cents per call to the PSPs, but the amount will

be per actual call made. If the amount the IXC's are paying out then differs greatly from what they are paying now, any rate increases may have to be adjusted.

"I think we have told customers, and I think customers understand that when the FCC made this decision, the FCC anticipated that the bulk of this surcharge would be passed through to the customers," Sprint's McDonald says. "It totaled over a billion dollars for the industry. Even the FCC and people in business would not expect an industry to take a billion-dollar hit on a surcharge and not have that sort of cost—an enormously large number—offset somewhere. This business is too competitive for anyone to take a charge of that nature and not build it into their business plan. It's just too large."

But what about MCI? If the carrier isn't raising its prices to make up for compensation paid in the order, it is putting itself at a great advantage over competitors who have raised some of their rates by 5 percent or more. Conversely, how will MCI absorb an \$8.26 per phone per month payment without a fiscal adjustment somewhere? Both matters, MCI's Lewis says, haven't necessarily been addressed

because MCI is concentrating on the appeal.

Which leads to the next logical question. Just how hopeful is MCI that an appeal will be successful? "We're optimistic," Cuno says. "I don't think we'd be really pressing if we didn't think there was some kind of possibility. Of course it looks tough, but we're still optimistic that something can be done on behalf of the customers."

Historically, Kagan says, the regional Bell operating companies (RBOCs) have had a better lobbying force than the IXC's. However, the IXC's have had some time to contemplate the order and will likely point out that because payphone compensation has to come from somewhere, ultimately it will be passed on to the consumer. "I hear arguments on both sides and it really depends on who's believable to the people who are making that decision," Kagan says.

For now, though, AT&T, Sprint, MCI and most of the other IXC's have complied with the order, albeit grudgingly. If and when the order is adjusted—or at least finalized—the market may very well face adjustments yet again. "It's part of the struggle of the industry," Kagan says. "The industry's struggling to reinvent itself—and it's messy."

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ATTACHMENT 6

SPRINT LETTER DATED DECEMBER 12, 1996



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December 12, 1996

Dear

As you may already be aware, the FCC issued its order in the Payphone Compensation docket (CC Docket No. 96-128) adopting rules for compensating payphone service providers (PSPs) for completed calls originating from their payphones (PSP Compensation). The PSP Compensation mechanism known as dial-around compensation will be phased in over a period of three years.

The first year that the PSP Compensation rules are effective, PSPs will receive \$45.85 per private payphone per month, divided among IXCs with more than \$100 million in annual revenues based on market share. Sprint's share is \$4.97 per month per phone with an estimated total monthly cost of \$2.5 million. Due to this new cost, Sprint Wholesale Services Group has planned for a recovery system through a surcharge of \$0.15 for certain types of calls originating on all payphones. A new wholesale tariff to support the PSP Compensation surcharge was filed on November 27, 1996 with an effective date of December 1, 1996. The PSP Compensation surcharge will affect the following call types:

Switched and Dedicated Toll Free Calls
FONCARD (includes # reorigination calls)
Prepaid Calling Cards
IOXXX Calls

In order to help you identify the affected calls, a new field called "ORIG INFO DIGITS" will be added to existing filler on the Carrier Transport 400 byte layout. Sprint's Carrier Transport Group will be sending out a separate letter explaining changes in our billing record layout within the next few days and will be available to help you make any necessary programming changes. In the meantime, please find answers to some of the questions you likely will have. If you have any additional questions, please contact your Sprint account team.

Thank you for your support and understanding as we strive to make the necessary changes.

Sincerely,

A handwritten signature in dark ink, appearing to read "B. Newby".

ATTACHMENT 7

ITA MEMO OF APRIL 20, 1997



April 20, 1997

Re: An important FCC filing re Sprint and dial-around-compensation which ITA is planning -- and an invitation to participate.

As you may know, The Sprint Wholesale Services Group has notified its customers and has begun charging \$0.35 per call originating from a payphone effective April 1 (\$0.15 from December 1-March 31). The Board of Directors of the Association has voted to formally file a complaint with the FCC on behalf of the prepaid industry, to force a reversal of this charge unless Sprint changes its policy.

For this important initiative, the Association has decided to allow nonmember firms to participate in two ways: to associate themselves with our statement or to become co-plaintiffs with a number of Association members already committed to become co-plaintiffs. As co-plaintiffs, such firms give us a greater assurance that this complaint will not be subject to a motion of dismissal because the Association itself is not a customer of Sprint Long Distance.

To defray significant initial legal costs, we are requesting contributions from nonmembers who wish to participate in this important initiative. (See below -- new members will be exempt from such levies.) The following is a summary of our arguments.

REGULATORY BACKGROUND: Section 276 of the Telecommunications Act of 1996 (cc 1996 Act") required the Federal Communications Commission ("FCC") to implement regulations that establish a per call compensation plan to ensure that all payphone service providers are fairly compensated for each and every completed intrastate and interstate call using their pay phone." We certainly do not contest this fact. On September 20, 1996, the FCC issued regulations implementing this Section. The FCC established an interim compensation mechanism in which INCs with over \$100 million dollars in annual revenue would be required to pay payphone service providers a monthly flat-fee to compensate payphone owners for access code and 800 subscriber calls.

The FCC determined that each payphone provider should receive \$45.85 per month per phone. Each \$100-million+ INC is required to pay in proportion to their percentage of revenues of INCs with over \$100 million dollars in annual revenue. Using this formula the FCC determined that Sprint Communications percent of total revenues was 10.84% and that Sprint was required to pay \$4.97 per payphone. This interim compensation mechanism will remain in effect until October 1, 1997 to be replaced by a \$0.35 per call charge. -- (see next page)

===== fax this back to ITA - 202-547-7417 =====

We'll join now. Call me about my dues level.

Please fax me a copy of the proposed filing and bill me \$39.00

____ Please list our firm as supportive of the ITA request and bill me \$250.

I would like to become a co-plaintiff (\$1,000), please call me.

Charge my ____ AmEx ____ Visa/MC card \$_____. Exp. Date _____.

Signature (please print name if different from above)_____

ATTACHMENT 8

**"CARRIERS HIT WITH \$1 BILLION
PAY PHONE BILL"**

USA TODAY, WEDNESDAY FEBRUARY 26, 1997

Citation
 2/26/97 USATD 01A
 2/26/97 USA TODAY 01A
 1997 WL 6995505

Search Result

Rank(R) 5 of 116

Database
 USATD

USA Today
 Copyright 1997

Wednesday, February 26, 1997

NEWS

Carriers hit with \$1 billion **pay phone** bill Steve Rosenbush

A little-known wrinkle in the telecommunications law will **cost** major long-distance carriers more than \$1 billion a year, and they are passing the expense along to the public.

Twenty-two major long-distance carriers must pay \$45.85 a month for each of the 2.2 million **pay phones** in the country, USA TODAY has learned.

The fees cover the **cost** of toll-free and calling-card calls for which **pay phone** owners historically were not repaid.

The year-old telecommunications law required the Federal Communications Commission to come up with a system of compensation.

Long-distance carriers already have started paying the fee for the 350,000 **pay phones** not owned by phone companies. In April, they'll start paying for the 1.8 million **pay phones** owned by local phone companies. Monthly fees will be replaced in October with a 35-a-call charge carriers will pay to **pay phone** owners.

Long-distance carriers have asked the federal appeals court in Washington to overturn the compensation plan. But in the meantime they are raising rates. AT&T, for example, has hiked the rate it charges businesses for toll-free service by 3%, effective today.

The expense will eventually be passed along to consumers.

"If a telemarketing operator's expenses suddenly go up 3% a month, eventually that makes its way into the consumer's pocket," says Daniel Briere of the industry consulting group TeleChoice. "It's one of the hidden taxes of the Telecommunications Act."

MCI and Sprint weren't immediately available to comment. "I would expect more rate increases," Briere says. "It's just too much for the carriers to eat."

---- INDEX REFERENCES ----

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ATTACHMENT 9

MCI TRANSMITTAL NO. 1083 (JUNE 3, 1997)

**MCI Telecommunications
Corporation**

1801 Pennsylvania, N.W.
Washington, DC 20006



Writer's direct telephone number: 202/887-2771

June 3, 1997

Transmittal No. 1083

Mr. William F. Caton, Acting Secretary
Federal Communications Commission
Washington, D.C. 20554

Attention: Common Carrier Bureau

Dear Mr. Caton:

MCI Telecommunications Corporation (MCI) hereby files with your office revised tariff material, attached hereto, in compliance with the Communications Act of 1934, as amended. This material consists of tariff pages as indicated on the following check sheets:

Tariff No. FCC 1 -- 1061st Revised Page No. 1;
446th Revised Page No. 1.1;
278th Revised Page No. 1.1.1;
228th Revised Page No. 1.1.1.1;
44th Revised Page No. 1.1.1.1.1; and,
185th Revised Page No. 1.2.

In Tariff FCC No. 1, MCI proposes make the following revisions to increase rates as a result of the Payphone Recovery Order of the Federal Communications Commission:

1. To increase per-minute usage charges for customers of Metered Use Service Option C (MCI WATS), Metered Use Service Option H (MCI Prism I), Metered Use Service Option I (MCI Prism II), and Metered Use Service Option J (University WATS) who place calls from international locations.
2. To increase per-minute usage charges for customers of Metered Use Service Option Q (MCI Vision) and Metered Use Service Option X (MCI HotelDirect) who place calls to international locations.
3. To increase per-minute usage charges for customers of Metered Use Service Option Q (MCI Vision) who subscribe to MCI Vision Worldwide for Latin America and who place calls to international locations.



Mr. William F. Caton, Acting Secretary
Transmittal No. 1083
June 3, 1997
Page 2

4. To increase per-minute usage charges for customers of Metered Use Service Option Q (MCI Vision) who subscribe to MCI Vision Worldwide for Europe and who place calls to international locations.
5. To increase per-minute usage charges for customers of Metered Use Service Option Q (MCI Vision) who subscribe to MCI Vision Worldwide for Pacific Rim and who place calls to international locations.
6. To increase per-minute usage charges for customers of Metered Use Service Option G (Vnet) who place calls to international locations.
7. To increase per-minute usage charges for customers of Metered Use Service Option F (MCI 800 Service), Metered Use Service Option Q (MCI Vision - Inbound 800 Service), Metered Use Service Option R (MCI Preferred 800 Service), Metered Use Service Option X (MCI HotelDirect), Metered Use Service Option EE (MCI Flat Rate 800 Service), Metered Use Service Option KK (Flat Rate Plus 800 Service), and Metered Use Service Option OO (Advanced Option II for Small Business) and who subscribe to International Call Coverage Feature.
8. To increase per-minute usage charges for customers of Metered Use Service Option G (Vnet) who place calls which originate in Puerto Rico and terminate in international locations.
9. To increase per-minute usage charges for customers of Metered Use Service Option Q (MCI Vision) and Metered Use Service Option X (MCI HotelDirect) who place calls which originate in Puerto Rico and terminate in international locations.
10. To increase per-minute usage charges for customers of Metered Use Service Option Q (MCI Vision) who subscribe to MCI Vision Power Rate and who place calls to international locations.

Mr. William F. Caton, Acting Secretary
Transmittal No. 1083
June 3, 1997
Page 4

11. To increase per-minute usage charges for customers of Metered Use Service Option Q (MCI Vision) who subscribe to MCI Vision Power Rate International 800 and who receive calls from international locations.
12. To increase most and reduce one per-minute usage charges for customers of Metered Use Service Option Q (MCI Vision) who subscribe to MCI Vision Worldwide Power Rate and who place calls to international locations.
13. To increase per-minute usage charges for customers of Metered Use Service Option HH (hospitalityMCI) who place calls from the U.S. Mainland and Hawaii to international locations.
14. To increase per-minute usage charges for customers of Metered Use Service Option F (MCI 800 Service), Metered Use Service Option Q (MCI Vision), Metered Use Service Option R (MCI Preferred), and Metered Use Service Option MM (networkMCI One) and who subscribe to International Toll Free Termination.
15. To increase per-minute usage charges for customers of Metered Use Service Option Q (MCI Vision) who subscribe to MCI Vision Switched International Program and who place calls to international locations.
16. To increase per-minute usage charges for customers of Metered Use Service Option MM (networkMCI One) who place calls to international locations.
17. To increase per-minute usage charges for customers of Metered Use Service Option MM (networkMCI One) who subscribe to International Toll Free Service and who receive calls from international locations.
18. To increase per-minute usage charges for customers of Metered Use Service Option G (Vnet) who subscribe to Virtual Network Connection.

Mr. William F. Caton, Acting Secretary

Transmittal No. 1083

June 3, 1997

Page 4

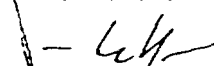
19. To increase per-minute usage charges for customers of Metered Use Service Option Q (MCI Vision) who subscribe to Vision Virtual Network Connection.
20. To increase per-minute usage charges for customers of Metered Use Service Option Q (MCI Vision) who subscribe to MCI Vision Virtual Network Connection Worldwide Power Rate MCI Vision VNC Worldwide Power Rate.
21. To increase per-minute usage charges for customers of Metered Use Service Option MM (networkMCI One) who subscribe to networkMCI One Virtual Network Connection.

These revisions are scheduled to become effective on June 4, 1997.

In accordance with Section 61.33(a) of the Commission's rules, this original letter and the appropriate fee will be hand delivered on this date to the FCC in care of the Mellon Bank of Pittsburgh, PA. A copy of this letter is being served on this date upon the Secretary of the FCC, Washington, D.C. The new and revised pages of Tariff FCC No. 1 are being submitted on diskette pursuant to FCC Special Permission No. 96-661.

Please address any inquiries or further correspondence concerning this filing to James E. Kerr, Manager, Federal Tariffs, 1801 Pennsylvania Avenue, N.W., Washington, D.C. 20006. Any petitions made against this filing should be served personally or by facsimile upon Donald J. Elardo, Esq., Room 442, 1801 Pennsylvania Avenue, N.W., Washington, D.C. 20006 (telephone 202/887-2006; fax 202/887-3175).

Very truly yours,



James E. Kerr
Manager, Federal Tariffs

Attachments